

Clean Water Revolving Funds (SRF & SWQIF) Loan Application

Instructions for Completing the Project Cost Worksheet

1. Entering Cost Figures

To complete the Project Cost Worksheet, enter costs incurred to date in the first column and estimated costs in the second column. **Please use whole dollar amounts for all entries.** A budget line item may have costs entered in each column; however, the entries must accurately reflect the division between incurred costs and estimates (i.e., the costs in the second column must not be a cumulative total). If you have any questions concerning which line an item should be entered on, please contact your MDEQ project manager for guidance.

2. Supporting Documentation

Adequate documentation must be attached to your Part II submittal to support the costs included on the Project Cost Worksheet. Please check the box in the third column on each requested line item.

- For incurred costs, adequate supporting documentation means proof of billing or payment for each cost that is to be reimbursed by SRF or SWQIF funds. For engineering costs, this means copies of the monthly invoices from your consulting engineer.
- For estimated costs, adequate supporting documentation means either an executed contract or an invoice or letter from the vendor detailing the services to be rendered and their costs.
- For work performed by municipal employees (force account work), adequate supporting documentation means summaries that list the title or classification, hours worked, hourly wage rate, and indirect costs (e.g., fringe benefits, travel expenses, etc.) of each municipal employee involved in SRF or SWQIF project work. For incurred costs, the summaries must be based on time sheets, daily logs, or other records that detail the actual hours worked. The services provided by each employee must be described in brief and specifically linked to the project. The term "municipal employee" refers to permanent staff on the current payroll of either the applicant or the municipality for which the SRF or SWQIF project is being constructed. Please also note that the actual hours worked must be accounted for each municipal employee; a summary of estimated hours will not be accepted when the final project costs are reviewed by your MDEQ project manager.
- For land purchases (Line 10), adequate supporting documentation means a letter from the applicant that details the location, acreage, purchase price, and need for each land purchase for which SRF or SWQIF reimbursement is being sought. A copy of the written appraisal that was performed for each parcel to be purchased must be attached to this letter.
- For construction costs — bid contracts (Line 12), adequate supporting documentation means either the successful bidder's proposal or, if pre-qualified contractors perform construction work on private property, the basis by which the municipality derived its cost-per-house construction estimate. That estimate must be supported by one of the following: (1) a pilot study used to determine a per-house cost; (2) comparative quotes from two or more potential contractors for a representative group of homes; or (3) another method which the MDEQ has approved.
- For equipment (Line 14) and miscellaneous items (Line 15), adequate supporting documentation means a letter that details the purpose and cost of each item for which SRF or SWQIF reimbursement of the purchase cost is being sought.

- For land purchases (Line 11), adequate supporting documentation means a letter that details the location, acreage, and need for each land purchase for which SRF reimbursement is being sought, appraisals and review appraisals (or market study, if appropriate), the initial purchase offer, and the final purchase agreement.

3. Executed Contracts

Please note that a contract between the municipality and the vendor must be executed for each service that has been or is to be rendered in the design or construction of an SRF or SWQIF project if the cost of such service is greater than \$50,000. An executed copy of each contract must be enclosed with your Part II submittal.

4. Line-By-Line Completion Guidance

Line 1 – Planning Costs

The costs associated with planning activities directly related to the project for which SRF or SWQIF assistance is being sought should be placed on Line 1. Please see the Clean Water Revolving Fund Eligibility Guidance on eligible planning activities.

Line 2 – Revenue System Development Costs

The costs associated with the development or updating of the municipality's system of user charges to cover the costs of project construction, operation, and maintenance should be placed on Line 2.

The costs to develop and pass sewer use ordinances, intermunicipal service agreements, or rate methodologies that are necessary for the proposed project are eligible for SRF or SWQIF reimbursement and may be included on Line 2.

Line 3 – Design Engineering Costs

The costs associated with SRF or SWQIF project design should be placed on Line 3.

Reasonable carrying charges (i.e., at the prevailing interest rate) assessed by an engineering firm that accepts deferred payment for its design work are eligible for SRF or SWQIF reimbursement and may be included on Line 3.

All costs associated with municipal borrowing that was necessary to pay for the SRF or SWQIF project design work, including interest payments, are eligible for SRF or SWQIF reimbursement and may be included on Line 3, provided the debt instrument can be retired at the time of loan closing. Interest paid on moneys transferred from one municipal account to another is not eligible for SRF or SWQIF reimbursement and must not be included on Line 3.

Line 4 – Legal/Financial Service Fees

The costs associated with financial adviser services directly related to the SRF or SWQIF project should be placed on Line 4.

The cost to obtain a credit opinion from a recognized rating agency (e.g., Fitch's, Moody's, or Standard & Poor's) is eligible for SRF or SWQIF reimbursement and may be included on Line 4.

The costs associated with legal services directly related to the SRF or SWQIF project should be placed on Line 4.

Line 5 — Administrative Costs

The costs associated with SRF or SWQIF project administration by municipal employees should be placed on Line 5. Appropriate supporting documentation, as delineated on Page 1 of these instructions, must be attached to the Part II submittal.

When a county serves as the applicant for a group of municipalities or for a municipality which lacks an investment grade bond rating, the work performed by county employees is eligible for SRF or SWQIF reimbursement and may be included on Line 5. If a pass-through fee is charged by the county in lieu of an accounting of the actual hours worked by county employees, a copy of the legal document that serves as the basis for levying the pass-through fee must be provided as supporting documentation.

The costs associated with a millage election held to increase the local property tax in order to pay for debt incurred in completing an SRF or SWQIF project, or the costs associated with a referendum required to implement the intended method of financing, are eligible for SRF or SWQIF reimbursement and may be included on Line 5.

The salary, fringe benefits, and travel expenses of elected officials are not eligible for SRF or SWQIF reimbursement and must not be included on Line 5.

Line 6 — Bond Counsel Fees

The costs associated with bond counsel services rendered for the applicant and directly related to the SRF or SWQIF project should be placed on Line 6.

Line 7 — Bond Advertisement Costs

Although the municipality will not need to publish a bond advertisement since a buyer for the SRF or SWQIF bonds has already been identified, it may find it necessary to publish a notice of intent to sell bonds to satisfy statutory or charter requirements. The cost to publish this notice of intent is eligible for SRF or SWQIF reimbursement and may be included on Line 7.

Depending upon the state statute under which the municipality will be bonding to finance the SRF or SWQIF project, it may be necessary to hold a public referendum. When necessary to comply with state statute, the cost to publish a referendum notice is eligible for SRF or SWQIF reimbursement and may be included on Line 7.

Line 8 — Bid Advertisement Costs

The costs associated with publishing bid advertisements in *Michigan Contractor & Builder*, a local newspaper, or another publication should be placed on Line 8. The invoices for these publications should be sent to your MDEQ project manager as soon as they are received.

Line 9 — Capitalized Interest (SRF Only)

Please leave this line blank. Your MDEQ project manager will complete this line upon receipt of your Part III application.

Line 10 — Land Acquisition/Relocation Costs (SRF Only)

Federal regulations implementing the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 are applicable to the acquisition of land necessary for projects receiving SRF funding. The costs of complying with these regulations can be included in your loan regardless of whether the actual land acquisition is eligible for SRF funding. For example, the cost of easements purchased to provide sewer rights-of-way are not eligible for SRF reimbursement but the costs associated with obtaining such easements are eligible. Some examples of land acquisition or relocation costs that might be placed on Line 10 include:

- (1) The costs of a necessary appraisal of any property to be acquired for SRF project construction, including any studies necessary to properly value improvements, minerals, timber, or other resources on the property.
- (2) The costs of surveys and legal boundary descriptions of any property to be acquired for SRF project construction.
- (3) The costs of necessary services associated with the acquisition of property for SRF project construction such as title searches, lease or easement agreement preparation, legal descriptions of the property, legal notices, and closing costs (e.g., transfer tax, evidence of title, recording fee).
- (4) The costs associated with the planning of necessary relocations as well as the actual reasonable moving and related eligible expenses for persons, businesses, or farms displaced by the SRF project construction.

Line 11 — Land Purchase Costs (SRF Only)

The costs associated with eligible purchases of land should be placed on Line 10. Since a number of restrictions apply to land purchases, please see the **Clean Water Revolving Funds Eligibility Guidance** for further details. Reimbursement will be limited to the purchase cost of those portions of a parcel or parcels that are used exclusively for one of the three eligible purposes. Land which is used as the site for treatment works buildings or other appurtenances is not eligible for SRF reimbursement and the cost of its purchase must not be included on Line 11. In cases where a parcel was purchased for both eligible and ineligible purposes, a straight proration based on acreage should be made to determine the cost to include on Line 11.

The cost of easements purchased to provide sewer rights-of-way are not eligible for SRF reimbursement. A railroad “crossing permit” is considered to be a right-of-way easement that is not eligible for SRF reimbursement.

Line 12 — Construction Engineering Costs

The costs associated with construction engineering services, including resident inspection, should be placed on Line 12.

A municipality may choose to use its own staff to perform resident inspection, either independent from or concurrent with resident inspection performed by a contracted engineering firm. If you wish to receive SRF or SWQIF reimbursement for resident inspection performed by municipal employees and also intend to have an engineering firm provide inspection services, a letter that justifies the need for the force account inspection must be attached to your Part II submittal and the dollar amount for force account resident inspection must be placed on Line 12, not on Line 14.

A municipality may choose to establish a line item in a construction contract to pay for resident inspection instead of including such inspection costs as part of an engineering contract. This alternative method of

paying for resident inspection will appear in a bid proposal under a reference such as “equivalent crew days” or “inspector days.” If this alternative method is selected by an applicant, the dollar amount for this line item in the accepted bid must be placed on Line 12, not on Line 13. Please also note that a special condition will be added to the MDEQ Order of Approval to forbid double accounting of resident inspection costs and to preclude SRF or SWQIF participation in any bonus payment

Line 13 — Construction Costs (Bid Contracts)

The costs associated with project construction that has been or will be competitively bid should be placed on Line 13. For construction contracts for which an award of contract has not yet been made, your MDEQ project manager will complete this line upon receipt of your Part III application.

For SWQIF projects, a new waiver from competitive bidding requirements has been created so that a Request for Quotes/Qualifications (RFQ) process can be used to establish a list of pre-qualified contractors to perform construction work on private property. The costs associated with project construction that has been or will be handled by such pre-qualified contractors should be placed on Line 13. Furthermore, the following must be included in your Part II submittal: (1) a copy of the list of pre-qualified contractors and (2) an explanation of how the municipality obtained that list. Please note that the list must include a sufficient number of licensed contractors to accomplish the timely completion of the municipality’s project.

Line 14 — Construction Costs (Force Account)

The costs associated with actual construction that has been or will be performed municipal employees should be included on Line 14. Since a number of restrictions apply to force account construction, please see the **Clean Water Revolving Funds Eligibility Guidance** for further details.

Line 15 — Equipment Costs

The following are some examples of costs that might be placed on Line 15:

- (1) The cost to the owner to acquire a belt filter press to be installed by municipal employees or the general contractor. **(SRF Only)**
- (2) The cost to the owner to acquire eligible furnishings for the treatment plant. **(SRF Only)**
- (3) The cost to the owner to acquire a standby power generator to be installed by municipal employees or the general contractor. **(SRF Only)**
- (4) The cost to the owner to acquire an eligible special-purpose vehicle such as a vactor truck. **(SRF Only)**
- (5) The cost to the owner to acquire sump pumps or septic tanks that will be installed by municipal employees or one of the pre-qualified contractors. **(SWQIF Only)**

Please note that equipment that costs \$50,000 or more must be procured through a competitive bidding process (i.e., a contract must be awarded through an open, competitive bidding process whereby a solicitation to bid is made by means of a formally advertised public notice).

Line 16 — Other Project Costs

The following are some examples of costs that might be placed on Line 16:

- (1) The costs associated with the mitigation of adverse environmental impacts that are the direct result of project construction or operation.
- (2) The costs associated with the cleanup of contaminated soil at a site that is directly affected by SRF or SWQIF project construction (e.g., contamination encountered in a sewer trench or within the footprint of a treatment works building).
- (3) The costs associated with utility relocations performed by local power company personnel.
- (4) The costs associated with the performance of soil borings or compaction testing that is not covered under the project's principal construction engineering services contract.
- (5) The costs associated with videotape or photographic recordings of the project site prior to the start of construction.
- (6) The costs associated with a state-approved Owner Controlled Insurance Program (OCIP) for the project in lieu of traditional contractor insurance coverage. **(SRF Only)**
- (7) The costs associated with the compilation of or project-related revisions to an Operations & Maintenance Manual produced by the treatment plant staff or an independent contractor. **(SRF Only)**
- (8) The purchase of capacity at an existing wastewater treatment works. **(SRF Only)**
- (9) Railroad and road inspection allowances that have been approved by the MDEQ project manager as being eligible for funding. **(SRF Only)**

Please note that any good or service that costs \$50,000 or more must be procured through a competitive bidding process.